

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 IO-13 ISO-00 FEA-01 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

/116 W

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R 221426Z JUL 76

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 4970

INFO AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

USMISSION GENEVA

UNCLAS PRETORIA 3227

E.O. 11652: N/A

TAGS: ETRD, GATT, SF

SUBJ: IMPORT DEPOSIT SCHEMES INTRODUCED BY SOUTH AFRICA.

1. SAG ANNOUNCED JUNE 21 THAT A DEPOSIT OF 20 PERCENT WILL BE REQUIRED ON GOODS IMPORTED FROM AUGUST 2, WITH NO-INTEREST REFUND AFTER SIX MONTHS.

2. MAIN EXEMPTIONS ARE AS FOLLOWS: MINERAL FUELS AND OIL PRODUCTS, STATE IMPORTATIONS, CHARABLE GOODS, IMMIGRANT BELONGINGS, ETC.; GOODS EXCEEDING R10,000 (ONE RAND -\$1.15) IN PRICE ESSENTIAL FOR CAPTIAL PROJECTS (OTHER THAN REPLACEMENTS); GOODS FOR RE-EXPORT TO BOTSWANA, LESOTHO OR SWAZILAND; GOODS VALUED AT LESS THAN R100.

3. SAG DEPICTED PLAN AS NECESSARY TO SUPPORT OTHER MEASURES TO STRENGTHEN BALANCE OF PAYMENTS, INCLUDING HIGHER RESERVE REQUIREMENTS, BANK CREDIT CEILINGS AND CONSERVATIVE BUDGET.

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ANNOUNCED SIMULTANEOUSLY RAISING OF BANK RATE FROM 8.5 TO 9

PERCENT.

4. GOVT STATEMENT ASSERTED MONETARY AND FISCAL POLICIES ALREADY BEGINNING TO WORK. EXPORTS WERE UP AND A SHARP FALL OF IMPORTS OCCURRED IN MAY. DEVALUATION OF SEPT 1975 NOW BEING FELT TO GROWING EXTENT. SAID RECOVERY SHOULD ALSO BE ASSISTED BY CURRENT UPSWING IN MAJOR INDUSTRIALIZED COUNTRIES.

5. GOVT SAID HOWEVER CURRENT DEFICIT IS STILL UNDULY LARGE, GOLD AND OTHER RESERVES HAVE DECREASED CONSIDERABLY SINCE END OF FIRST QUARTER OF 1976, AND WILL REMAIN UNDER PRESSURE FOR SOME MONTHS. THUS IMPORT DEPOSIT PLAN NEEDED TO SUPPLEMENT OTHER MEASURES AND ACCELERATE EXPECTED IMPROVEMENT.

6. SAG COMMERCE DEPT OFFICIAL ASSURED US GATT WOULD BE NOTIFIED OF SCHEME AND PERMREP WOULD DISCUSS BRIEFLY AT NEXT COUNCIL MEETING TO EMPHASIZE TEMPORARY NON-DISCRIMINATORY NATURE AND READINESS OF SA TO CONSULT (PREFERABLY IN AN ORDINARY WP NOT A BALANCE OF PAYMENTS WP, SO THAT OTHER ASPECTS OF SITUATION NEED NOT BE RAISED) EXPECT WILL BE PRESSED IN WP TO SET A DATE FOR TERMINATION OF SCHEME.

7. PRESS HAS ESTIMATED SCHEME WILL AFFECT 60 PERCENT OF IMPORTS AND REQUIRE UP TO \$400 MILLION IN DEPOSITS, WITH CONSEQUENT EFFECT ON INTEREST RATES AND SOME INCREASE IN IMPORT PRICES. COMMERCE OFFICIAL CONFIRMED THESE ESTIMATES BUT THOUGH PERSONALLY WOULD HAVE HAD MORE IMPACT IF SET AT 50 PERCENT, WITH POSSIBILITY OF LOWERING LATER AS UK HAD DONE. THOUGH GOVT'S CAUTION DICTATED BY INFLATIONARY CONCERNS. ALSO GOVT WANTED TO AVOID TIGHTENING IMPORT CONTROLS BOTH FOR FEAR OF PRICE EFFECT AND REACTIONS OF TRADING PARTNERS.

8. OFFICIAL ARGUED IMPACT ON US SHOULD BE MINIMIZED BY EXEMPTION FOR CAPITAL GOODS OVER \$10,000 VALUE.
BOWDLER

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